



Joint Legislative Audit Committee
Office of the Auditor General



FINANCIAL AUDIT REPORT
STEPHEN P. TEALE CONSOLIDATED
DATA CENTER
YEAR ENDED JUNE 30, 1979

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-856**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

856

FINANCIAL AUDIT REPORT
STEPHEN P. TEALE CONSOLIDATED DATA CENTER
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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CHAIRMAN

November 21, 1980

856

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits
the Auditor General's financial audit report of the Stephen P.
Teale Consolidated Data Center, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Romero Zamora; and Geraldine
Parks.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Stephen P. Teale Consolidated Data Center. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.


The Stephen P. Teale Consolidated Data Center was established by Chapter 787, Statutes of 1972 and started operations during 1974. The center operates as a large-scale computer center for state agencies. During the 1978-79 fiscal year, the center provided data processing services for approximately 66 separate state entities.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the Stephen P. Teale Consolidated Data Center as of June 30, 1979 and the related statements of operations and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Stephen P. Teale Consolidated Data Center as of June 30, 1979 and the results of operations and changes in retained earnings for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



WESLEY E. VOSS
Assistant Auditor General

Date: September 30, 1980

Staff: Curt Davis, CPA
Romero Zamora
Geraldine Parks

STATE OF CALIFORNIA
STEPHEN P. TEALE CONSOLIDATED
DATA CENTER REVOLVING FUND

BALANCE SHEET
ENTERPRISE FUND

JUNE 30, 1979

ASSETS

Cash	\$ 2,205,557
Accounts receivable	915
Due from other funds	2,819,228
Expenses advance to employees	6,269
Advances to Architecture Revolving Fund	248,783
Equipment (Note 2)	11,800,151
Accumulated depreciation (Note 2)	<u>(5,922,952)</u>
Total Assets	<u>\$11,157,951</u>

LIABILITIES AND FUND EQUITY

Liabilities:	
Accounts payable	\$ 1,587,247
Contracts payable	2,437,926
Due to other funds	122,674
Uncleared collections	<u>377</u>
Total Liabilities	<u>4,148,224</u>
Fund Equity:	
Reserve for construction	248,783
Retained earnings	<u>6,760,944</u>
Total Fund Equity	<u>7,009,727</u>
Total Liabilities and Fund Equity	<u>\$11,157,951</u>

The notes to the financial statements are an integral part of
this statement.

STATE OF CALIFORNIA
STEPHEN P. TEALE CONSOLIDATED
DATA CENTER REVOLVING FUND

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Operating Revenues	<u>\$14,230,185</u>
Operating Expenses:	
Rent and maintenance - equipment	4,114,083
Personal services	3,107,806
Depreciation	3,288,947
Data processing operations	1,631,381
Rent and maintenance - facilities	469,121
Contractual services	194,966
Materials	181,141
Communications	83,085
Training	54,598
General expenses	40,312
State administrative charges	36,836
Travel	25,266
Miscellaneous adjustments	<u>22,671</u>
Total Operating Expenses	<u>13,610,650</u>
Operating Income	619,535
Nonoperating Expenses:	
Loss on sale of equipment	<u>(8,711)</u>
Net Income	610,824
Retained Earnings - July 1	<u>6,150,120</u>
Retained Earnings - June 30	<u><u>\$ 6,769,944</u></u>

The notes to the financial statements are an integral part of this statement.

STATE OF CALIFORNIA
STEPHEN P. TEALE CONSOLIDATED
DATA CENTER REVOLVING FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Sources of Working Capital:

Operations:

Net income	\$ 610,824
Items not requiring working capital:	
Depreciation	3,107,806
Loss on sale of equipment	8,711
Increase in reserves	199,060
Proceeds from sale of equipment	<u>52,987</u>

Total Sources of Working Capital	<u>3,979,388</u>
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Uses of Working Capital:

Acquisition of equipment	1,951,469
Advances for construction	<u>198,683</u>

Total Uses of Working Capital	<u>2,150,152</u>
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Net Increase in Working Capital	<u><u>\$1,829,236</u></u>
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Elements of Net Increase (Decrease)
in Working Capital:

Cash	\$ 958,414
Receivables	(2,177)
Due from other funds	727,615
Expense advances to employees	3,210
Accounts payable	(827,711)
Contracts payable	<u>969,885</u>

Net Increase in Working Capital	<u><u>\$1,829,236</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF CALIFORNIA
STEPHEN P. TEALE CONSOLIDATED
DATA CENTER REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations and changes in financial position of the Stephen P. Teale Consolidated Data Center Revolving Fund. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by both the American Institute of Certified Public Accountants and the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Proprietary Fund Type which is used to account for the measurements of net income and capital maintenance within a government's organizations and activities. Included in this fund type which resembles those found in the private sector, are Enterprise Funds.

The Stephen P. Teale Consolidated Data Center Revolving Fund is an Enterprise Fund used to account for data processing operations where the costs of providing goods or services are paid for by users. Records are maintained on the accrual basis of accounting. These are some of the significant elements:

Revenues/Expenses

Revenues are recognized in the accounting period in which they are earned and measurable. Expenses, including depreciation, are recognized in the period incurred.

Liabilities

Retirement Plan - Regular employees of the data center are members of the Public Employees' Retirement System (PERS), which is a defined benefit, contributory retirement plan. The amount the data center and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$481,239.

Vacation and Sick Leave - Costs of vacation and sick leave are charged when these benefits are used rather than when they are earned.

2. EQUIPMENT

The original cost of the equipment is reflected in the statements. Normal maintenance and repairs are recorded as expenses when they are incurred. Major additions to computer equipment are capitalized and the cost of equipment is depreciated by the straight-line method over the estimated useful life of the assets.

OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control at the Stephen P. Teale Consolidated Data Center to the extent we considered necessary to properly form an opinion concerning the fairness with which the data center's financial statements present its financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the data center in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The data center generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps